

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Winterfield Township	County Clare
Fiscal Year End 6-30-06	Opinion Date 10-26-06	Date Audit Report Submitted to State November 13, 2006	

We affirm that:

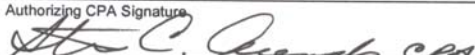
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789		
Street Address 134 West Harris Street		City Cadillac	State MI	Zip 49601
Authorizing CPA Signature 		Printed Name Steven C. Arends		License Number 1101013211

**WINTERFIELD TOWNSHIP, CLARE COUNTY**

**MARION, MICHIGAN**

**JUNE 30, 2006**

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

JUNE 30, 2006

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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

JUNE 30, 2006

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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

October 26, 2006

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Winterfield Township  
Clare County  
Marion, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winterfield Township, Clare County, Marion, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winterfield Township, Clare County, Marion, Michigan as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winterfield Township, Clare County, Marion, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

Winterfield Township, a general law township located in Clare County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Winterfield Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$704,642. Of this amount, \$370,132 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$531,524 an increase of \$45,493 in comparison with the prior year. About 69.64% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of June 30, 2006.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The Township's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration,

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

public safety, public works, culture and recreation, and other functions. Winterfield Township currently has no business-type activities.

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$704,642 at June 30, 2006, meaning the Township’s assets were greater than its liabilities by this amount.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**Winterfield Township**  
**Net Assets as of June 30, 2006**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 534,223
Non Current Assets	
Capital Assets	\$ 234,051
Less: Accumulated Depreciation	(60,933)
Total Non Current Assets	\$ 173,118
<b>Total Assets</b>	<b>\$ 707,341</b>
<b>Liabilities</b>	
Current Liabilities	\$ 2,699
<b>Net Assets</b>	
Invested in Capital Assets	\$ 173,118
Restricted for Specific Purposes	161,392
Unrestricted	370,132
<b>Total Net Assets</b>	<b>\$ 704,642</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 707,341</b>

The most significant portions of the Township's Net Assets is cash. The Township is not responsible for any long-term debt as of June 30, 2006. Other liabilities are minimal as of June 30, 2006.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$87,069 or 14.10% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**Winterfield Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended June 30, 2006**

	<b><u>Governmental Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 2,187
Operating Grants and Contributions	7,202
<b>General Revenues</b>	
Property Taxes	128,831
State Grants	33,164
Interest Earnings	5,857
Other	<u>28,888</u>
<b>Total Revenues</b>	<u>\$ 206,129</u>
<b><u>Expenses</u></b>	
Legislative	\$ 4,770
General Government	42,479
Public Safety	21,888
Public Works	39,212
Culture and Recreation	483
Other Functions	<u>10,228</u>
<b>Total Expenses</b>	<u>\$ 119,060</u>
Change in Net Assets	\$ 87,069
<b><u>NET ASSETS</u></b> - Beginning of Year	<u>617,573</u>
<b><u>NET ASSETS</u></b> - End of Year	<u><u>\$ 704,642</u></u>

**Governmental Activities**

During the fiscal year ended June 30, 2006, the Township's net assts increased by \$87,069 or 14.10% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

The most significant part of the revenue for all governmental activities of Winterfield Township comes from property taxes. The Township levied a millage for the operating and road improvement millages, this fiscal year. The Township levied 0.9720 mills for operating purposes, and 1.9678 mills for road improvement.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2006, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are spread quite equally by several functions but are dominated by general government expenses that make up 35.68% of total expenses. The Township spent \$42,479 in fiscal year 2006 on general government expenses. Public works represented the next largest expense at \$39,212 followed by public safety at \$21,888. These represent 32.93% and 18.38% respectively. Expenses for salaries, including Township assessor, represent a large portion of the general government expenses at \$32,034. Depreciation expense added another \$3,804 in general government, and \$5,895 in public works.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Winterfield Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Winterfield Township's governmental funds reported combined ending fund balances of \$531,524. Approximately 69.64% of this total amount (\$370,132) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road improvements must be used for expenditures that relate to road improvements.

**General Fund** – The General Fund increased its fund balance by \$19,945 which brings the fund balance to \$370,132. All of the General Fund's fund balance is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts.

**Garbage and Rubbish Collection Fund** – The Garbage and Rubbish Collection Fund decreased its fund balance by \$(7,648) which brings the fund balance to \$10,629. This balance is reserved and must be used for refuse collection and disposal.

**Municipal Street Fund** – The Municipal Street Fund increased its fund balance by \$33,196 which brings the fund balance to \$150,763. The balance is reserved and must be used for road improvements.

The Township did once again levy a road improvement millage on the 2005 tax roll. Tax related revenues totaled \$68,582. The Township is not obligated under any contracts of the Road Commission as of June 30, 2006.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of June 30, 2006 amounted to \$173,118 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 for land improvements and \$1,000 for all other assets individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Winterfield Township**  
**Capital Assets as of June 30, 2006**

	<b>Governmental Activities</b>
Land and Land Improvements	\$ 51,388
Buildings	49,171
Infrastructure	113,319
Equipment, Furniture and Fixtures	20,173
	<hr/> \$ 234,051
Less Accumulated Depreciation	<hr/> (60,933)
<b>Net Capital Assets</b>	<hr/> <b>\$ 173,118</b> <hr/>

Major capital asset events during the fiscal year included:

- BS&A assessing software was purchased at a cost of \$2,745.
- A Dell Dimension 5100C computer was purchased and installed at a cost of \$3,301.
- Haskell Lake Road was paved at a cost of \$32,229.
- Improvements were made to the transfer station at a cost of \$13,000.

**Long-Term Debt.** Winterfield Township has no obligation for any long-term debt as of June 30, 2006.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2006-07 fiscal year. The Township has budgeted for a decrease as more cuts are expected

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Winterfield Township at 11163 N. Strawberry Road, Marion, Michigan 49665.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 523,392
Due from State of Michigan	10,828
Due from External Party (Fiduciary Fund)	<u>3</u>
Total Current Assets	<u>\$ 534,223</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 51,388
Buildings	49,171
Infrastructure	113,319
Equipment, Furniture and Fixtures	<u>20,173</u>
	\$ 234,051
Less Accumulated Depreciation	<u>(60,933)</u>
Net Capital Assets	<u>\$ 173,118</u>
TOTAL ASSETS	<u><u>\$ 707,341</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 1,769
Payroll Taxes Payable	<u>930</u>
Total Current Liabilities	<u>\$ 2,699</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 173,118
Restricted for Specific Purposes	161,392
Unrestricted	<u>370,132</u>
TOTAL NET ASSETS	<u>\$ 704,642</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 707,341</u></u>

The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>				
Legislative	\$ 4,770	\$ 0	\$ 0	\$ (4,770)
General Government	42,479	2,187	0	(40,292)
Public Safety	21,888	0	0	(21,888)
Public Works	39,212	0	7,202	(32,010)
Culture and Recreation	483	0	0	(483)
Other Functions	10,228	0	0	(10,228)
Total Governmental Activities	<u>\$ 119,060</u>	<u>\$ 2,187</u>	<u>\$ 7,202</u>	<u>\$ (109,671)</u>
<u>GENERAL REVENUES</u>				
Property Taxes				\$ 128,831
State Grants				33,164
Interest Earnings				5,857
Other				<u>28,888</u>
Total General Revenues				<u>\$ 196,740</u>
Change in Net Assets				\$ 87,069
<u>NET ASSETS</u> - Beginning of Year				<u>617,573</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 704,642</u>

The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
JUNE 30, 2006

	GARBAGE AND RUBBISH MUNICIPAL GENERAL COLLECTION STREET FUND FUND FUND			TOTALS
<u>ASSETS</u>				
Cash	\$ 358,767	\$ 13,862	\$ 150,763	\$ 523,392
Due from State of Michigan	10,828	0	0	10,828
Due from Tax Fund	3	0	0	3
Due from Garbage and Rubbish Collection Fund	3,000	0	0	3,000
TOTAL ASSETS	\$ 372,598	\$ 13,862	\$ 150,763	\$ 537,223
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,769	\$ 0	\$ 0	\$ 1,769
Payroll Taxes Payable	697	233	0	930
Due to General Fund	0	3,000	0	3,000
Total Liabilities	\$ 2,466	\$ 3,233	\$ 0	\$ 5,699
<u>FUND BALANCE</u>				
Reserved for:				
Road Improvements	\$ 0	\$ 0	\$ 150,763	\$ 150,763
Garbage and Rubbish Disposal	0	10,629	0	10,629
Unreserved				
Undesignated	370,132	0	0	370,132
Total Fund Balance	\$ 370,132	\$ 10,629	\$ 150,763	\$ 531,524
TOTAL LIABILITIES AND FUND BALANCE	\$ 372,598	\$ 13,862	\$ 150,763	\$ 537,223

The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total Fund Balances for Governmental Funds	\$ 531,524
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$	51,388	
Buildings		49,171	
Infrastructure		113,319	
Equipment, Furniture and Fixtures		20,173	
Accumulated Depreciation		(60,933)	173,118

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 704,642</u>
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The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	GARBAGE AND RUBBISH COLLECTION FUND	MUNICIPAL STREET FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 60,249	\$ 0	\$ 68,582	\$ 128,831
Licenses and Permits	375	0	0	375
Federal Grants	0	0	2,407	2,407
State Grants	33,164	0	4,795	37,959
Charges for Services	1,812	0	0	1,812
Interest and Rents	5,487	70	300	5,857
Other Revenues	948	27,940	0	28,888
Total Revenues	\$ 102,035	\$ 28,010	\$ 76,084	\$ 206,129
<u>EXPENDITURES</u>				
Legislative	\$ 4,770	\$ 0	\$ 0	\$ 4,770
General Government	44,721	0	0	44,721
Public Safety	21,888	0	0	21,888
Public Works	0	35,658	42,888	78,546
Recreation and Culture	483	0	0	483
Other Functions	10,228	0	0	10,228
Total Expenditures	\$ 82,090	\$ 35,658	\$ 42,888	\$ 160,636
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,945	\$ (7,648)	\$ 33,196	\$ 45,493
<u>FUND BALANCE</u> - Beginning of Year	350,187	18,277	117,567	486,031
<u>FUND BALANCE</u> - End of Year	\$ 370,132	\$ 10,629	\$ 150,763	\$ 531,524

The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2006

Net change in Fund Balance - Total Governmental Funds	\$	45,493
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	\$	(9,699)	
Capital Outlay		<u>51,275</u>	<u>41,576</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>87,069</u></u>
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The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND

JUNE 30, 2006

<u>ASSETS</u>		
Cash		<u>\$ 3</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Due to Other Funds		\$ 3
<u>Net Assets</u>		<u>0</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3</u>

The notes to the financial statements are an integral part of this statement.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Winterfield Township is a general law township located in Clare County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements

Winterfield Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Garbage and Rubbish Collection Fund* accounts for revenue sources that are legally restricted to expenditure for garbage and refuse collection.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditure for road improvements.

Additionally Winterfield Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The Township is limited to investments authorized by PA20 of 1943 as amended, and may invest in the following: checking accounts, saving accounts, money market accounts, certificates of deposit, or other instruments that the township treasurer deems appropriate.

**2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of the Winterfield Township totaled \$34,854,214, on which ad valorem taxes levied consisted of 0.9720 mills for the Winterfield Township operating purposes, and 1.9678 mills for the Winterfield Township road improvements. These levies raised approximately \$33,875 for operating purposes and \$68,305 for road improvements.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) for land improvements and \$1,000 (amount not rounded) for all other assets and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	20
Infrastructure	20
Equipment, furniture and fixtures	5-10

Winterfield Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning July 1, 2004, in accordance with the Township's capitalization policy.

**5. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**6. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 28, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**III.DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are all on deposit with Citizens Bank and Chemical Bank in Marion, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$224,116 of the government's bank balance of \$524,119 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**B. Receivables**

Receivables as of year end for the government's individual major fund and nonmajor funds in aggregate, are as follows:

	<u>General Fund</u>
Due from State of Michigan	\$ 10,828

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there were no components of deferred revenue and unearned revenue reported in the governmental funds.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 15,000	\$ 0	\$ 0	\$ 15,000
Capital assets, being depreciated				
Land Improvements	\$ 23,388	\$ 13,000	\$ 0	\$ 36,388
Buildings	49,171	0	0	49,171
Infrastructure	81,090	32,229	0	113,319
Equipment, Furniture and Fixtures	14,127	6,046	0	20,173
Total capital assets, being depreciated	\$ 167,776	\$ 51,275	\$ 0	\$ 219,051
Less accumulated depreciation for:				
Land Improvements	\$ 15,309	\$ 1,211	\$ 0	\$ 16,520
Buildings	23,207	1,040	0	24,247
Infrastructure	2,365	5,129	0	7,494
Equipment, Furniture and Fixtures	10,353	2,319	0	12,672
Total accumulated depreciation	\$ 51,234	\$ 9,699	\$ 0	\$ 60,933
Total capital assets, being depreciated, net	\$ 116,542	\$ 41,576	\$ 0	\$ 158,118
Governmental activities capital assets, net	\$ 131,542	\$ 41,576	\$ 0	\$ 173,118

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 3,804
Public Works	5,895
	<u>\$ 9,699</u>

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2006.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**D. Long-Term Debt**

At June 30, 2006 the Township was not obligated for any long-term debt.

**E. Interfund Receivables, Payables and Transfers**

There are no interfund transfers for the year ended June 30, 2006.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Individual interfund receivable and payable balances as of June 30, 2006, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>Primary Government</u>		
General Fund	\$ 3,003	\$ 0
Current Tax Collection Fund	0	3
Garbage and Rubbish Collection Fund	0	3,000
	<u>\$ 3,003</u>	<u>\$ 3,003</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Garbage and Rubbish Collection Fund

Garbage and Rubbish Disposal \$ 10,629

Municipal Street Fund

Road Improvements 150,763

TOTAL FUND BALANCE

RESERVES AND DESIGNATIONS \$ 161,392

**G. Garbage and Rubbish Collection Fund**

On April 22, 1991, the Township Board approved the placing of an annual special assessment on the tax roll to finance the cost of operating a transfer station of the collection of trash and garbage. The transactions accounting for the revenues and expenditures related to the transfer station are reflected in a separate fund established by the Township labeled "Garbage and Rubbish Collection Fund."

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Retirement**

The Township has defined contribution pension plan with Manufacturers Life Insurance Company which covers all Township employees except volunteer firemen and seasonal employees. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement date is age 65 or, if later, completion of 10 years of participation in the plan. Early retirement is permitted at any time after age 55.

For purposes under the plan, including the allocation of employer contributions, compensation means cash compensation actually paid throughout the plan year. Employer contributions to the plan amount to 75% of an amount per a predetermined schedule. Mandatory after-tax employee contributions are 25%

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

of the same predetermined schedule. In addition, participants may make voluntary after-tax contributions in amounts ranging from 1% to 10% of compensation.

Township contributions to the plan for 2005-06 plan year amounted to \$2,250. In addition, employees contributed \$750. Costs for participant fees and charges of \$360 were also paid by the Township.

**C. Property Tax Administration Fee**

The Township passed a resolution on June 14, 1983, to charge a 1% administration fee on all ad valorem, taxes levied after this date. Also, a late penalty fee of 3% shall be added after February 14<sup>th</sup> and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the township board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**D. Fire Protection Contracts**

The Township has a contract with the Marion Community Fire Department and paid \$17,460 for protection for the period March 1, 2005, to February 28, 2006. This amount paid is equal to .5 of 1.00 mill of the Township's state taxable value

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL FUND				GARBAGE AND RUBBISH COLLECTION FUND				MUNICIPAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b><u>REVENUES</u></b>												
Taxes	\$ 53,000	\$ 53,000	\$ 60,249	\$ 7,249	\$ 27,900	\$ 27,900	\$ 0	\$ (27,900)	\$ 0	\$ 0	\$ 68,582	\$ 68,582
Licenses and Permits	400	400	375	(25)	0	0	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0	0	0	0	0	2,407	2,407
State Grants	30,000	30,000	33,164	3,164	0	0	0	0	0	0	4,795	4,795
Charges for Services	0	0	1,812	1,812	0	0	0	0	0	0	0	0
Interest and Rents	5,000	5,000	5,487	487	100	100	70	(30)	0	0	300	300
Other Revenues	8,500	8,500	948	(7,552)	200	200	27,940	27,740	0	0	0	0
<b>Total Revenues</b>	<b>\$ 96,900</b>	<b>\$ 96,900</b>	<b>\$102,035</b>	<b>\$ 5,135</b>	<b>\$ 28,200</b>	<b>\$ 28,200</b>	<b>\$ 28,010</b>	<b>\$ (190)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 76,084</b>	<b>\$ 76,084</b>
<b><u>EXPENDITURES</u></b>												
Legislative	\$ 8,900	\$ 8,900	\$ 4,770	\$ 4,130	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	48,200	52,200	44,721	7,479	0	0	0	0	0	0	0	0
Public Safety	23,900	23,900	21,888	2,012	0	0	0	0	0	0	0	0
Public Works	7,000	7,000	0	7,000	47,500	47,500	35,658	11,842	112,700	112,700	42,888	69,812
Recreation and Culture	500	500	483	17	0	0	0	0	0	0	0	0
Other Functions	22,500	17,500	10,228	7,272	0	0	0	0	0	0	0	0
Contingency	12,900	13,900	0	13,900	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$123,900</b>	<b>\$123,900</b>	<b>\$ 82,090</b>	<b>\$ 41,810</b>	<b>\$ 47,500</b>	<b>\$ 47,500</b>	<b>\$ 35,658</b>	<b>\$ 11,842</b>	<b>\$ 112,700</b>	<b>\$ 112,700</b>	<b>\$ 42,888</b>	<b>\$ 69,812</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (27,000)</b>	<b>\$ (27,000)</b>	<b>\$ 19,945</b>	<b>\$ 46,945</b>	<b>\$ (19,300)</b>	<b>\$ (19,300)</b>	<b>\$ (7,648)</b>	<b>\$ 11,652</b>	<b>\$ (112,700)</b>	<b>\$ (112,700)</b>	<b>\$ 33,196</b>	<b>\$ 145,896</b>
<b><u>FUND BALANCE</u> - Beginning of Year</b>	<b>61,498</b>	<b>61,498</b>	<b>350,187</b>	<b>288,689</b>	<b>19,300</b>	<b>19,300</b>	<b>18,277</b>	<b>(1,023)</b>	<b>112,700</b>	<b>112,700</b>	<b>117,567</b>	<b>4,867</b>
<b><u>FUND BALANCE</u> - End of Year</b>	<b>\$ 34,498</b>	<b>\$ 34,498</b>	<b>\$370,132</b>	<b>\$ 335,634</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 10,629</b>	<b>\$ 10,629</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 150,763</b>	<b>\$ 150,763</b>

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GENERAL FUND

BALANCE SHEET  
JUNE 30, 2006

ASSETS

Cash	\$ 358,767
Due from State of Michigan	10,828
Due from Current Tax Collection Fund	3
Due from Garbage and Rubbish Collection Fund	<u>3,000</u>
 TOTAL ASSETS	 <u><u>\$ 372,598</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,769
Payroll Taxes Payable	<u>697</u>
 Total Liabilities	 \$ 2,466

FUND BALANCE

Balance	
Unreserved	<u>370,132</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 372,598</u></u>
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WINTERFIELD TOWNSHIP, CLARE COUNTY

MARION, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

Taxes	\$ 60,249
Licenses and Permits	375
State Grants	33,164
Charges for Services	1,812
Interest and Rents	5,487
Other Revenues	948
	<hr/>
Total Revenues	\$ 102,035

EXPENDITURES

Legislative	
Township Board	\$ 4,770
General Government	
Supervisor	3,211
Election	683
Assessor	14,303
Clerk	9,921
Board of Review	723
Treasurer	10,507
Building and Grounds	4,588
Cemetery	785
Public Safety	21,888
Recreation and Cultural	483
Other Functions	10,228
	<hr/>
Total Expenditures	\$ 82,090
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,945

<u>FUND BALANCE</u> - Beginning of Year	<hr/> 350,187
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<u>FUND BALANCE</u> - End of Year	<hr/> <hr/> \$ 370,132
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

MUNICIPAL STREET FUND

BALANCE SHEET  
JUNE 30, 2006

ASSETS

Cash	\$ 150,763
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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BALANCE

Reserved for Road Improvements	150,763
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TOTAL LIABILITIES AND FUND BALANCE	\$ 150,763
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

MUNICIPAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

Taxes	
Current Property Taxes	\$ 68,305
Payment in lieu of Taxes	277
Federal Grants	
Bankhead Jones Grant	2,407
State Grants	
Telecommunications Right of Way	4,795
Interest and Rents	
Interest Earnings	<u>300</u>
 Total Revenues	 <u>\$ 76,084</u>

EXPENDITURES

Public Works	
Highways, Streets and Bridges	
Other Services and Charges	
Road Brining	\$ 10,659
Capital Outlay	
Road Paving	<u>32,229</u>
 Total Expenditures	 <u>\$ 42,888</u>
 Excess (Deficiency) of Revenues	
Over Expenditures	\$ 33,196

<u>FUND BALANCE</u> - Beginning of Year	<u>117,567</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 150,763</u></u>
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GARBAGE AND RUBBISH COLLECTION FUND

BALANCE SHEET  
JUNE 30, 2006

ASSETS

Cash	\$ 13,862
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LIABILITIES AND FUND BALANCE

LIABILITIES

Payroll Taxes Payable	\$ 233
Due to General Fund	3,000

Total Liabilities	\$ 3,233
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FUND BALANCE

Reserved for Garbage and Rubbish Disposal	10,629
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TOTAL LIABILITIES AND FUND BALANCE	\$ 13,862
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GARBAGE AND RUBBISH COLLECTION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

Interest and Rents	
Interest Earnings	\$ 70
Other Revenues	
Special Assessments	27,775
Added Fees	165
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Total Revenues	\$ 28,010

EXPENDITURES

Public Works	
Refuse Collection and Disposal	
Personal Services	
Salaries and Wages	\$ 5,862
Social Security Contributions	448
Supplies	
Operating Supplies	88
Other Services and Charges	
Contracted Refuse Removal	15,945
Snow Removal	315
Capital Outlay	
Land Improvements	13,000
	<hr/>
Total Expenditures	\$ 35,658
Excess (Deficiency) of Revenues	
Over Expenditures	\$ (7,648)

<u>FUND BALANCE</u> - Beginning of Year	<hr/> 18,277
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<u>FUND BALANCE</u> - End of Year	<hr/> <hr/> \$ 10,629
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
JUNE 30, 2006

	BALANCE			BALANCE	
	7/1/2005	ADDITIONS	DEDUCTIONS	6/30/2006	
<u>ASSETS</u>					
Cash in Bank	\$ 0	\$ 1,308,740	\$ 1,308,737	\$ 3	
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 145,915	\$ 145,912	\$ 3	
Due to Other Groups and Individuals	0	272	272	0	
Due to Other Governments	0	1,162,553	1,162,553	0	
TOTAL LIABILITIES	\$ 0	\$ 1,308,740	\$ 1,308,737	\$ 3	

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
JUNE 30, 2006

TAXES ASSESSED

County	\$	204,181	
County - State Education Tax		208,279	
Township			
Operating		33,875	
Road Improvement		68,305	
Garbage and Rubbish Collection		27,775	
Schools			
Marion Public Schools		589,334	
McBain Rural Agricultural School		1,240	
Harrison Community Schools		6,197	
Intermediate Schools			
Wexford-Missaukee		205,407	
Clare-Gladwin		661	
Mid-Michigan Community College		396	\$ 1,345,650

TAXES COLLECTED

County	\$	192,445	
County - State Education Tax		202,389	
Township			
Operating		31,611	
Road Improvement		63,972	
Garbage and Rubbish Collection		22,275	
Schools			
Marion Public Schools		565,726	
McBain Rural Agricultural School		1,240	
Harrison Community Schools		5,719	
Intermediate Schools			
Wexford-Missaukee		191,689	
Clare-Gladwin		612	
Mid-Michigan Community College		367	1,278,045

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
JUNE 30, 2006

TAXES RETURNED DELINQUENT

County	\$	11,736	
County - State Education Tax		5,890	
Township			
Operating		2,264	
Road Improvement		4,333	
Garbage and Rubbish Collection		5,500	
School			
Marion Public Schools		23,608	
McBain Rural Agricultural School		0	
Harrison Community Schools		478	
Intermediate School			
Wexford-Missaukee		13,718	
Clare-Gladwin		49	
Mid Michigan Community College		29	\$ 67,605

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

October 26, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Winterfield Township  
Clare County  
Marion, Michigan

As a result of our audit of the financial statements of Winterfield Township for the year ended June 30, 2006, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Township.

Budgeting

The Public Act 621 states that the budget document that the Township adopts include the following financial information.

- 1) The actual results from the prior year
- 2) An estimate of the current year results
- 3) The proposed budget for the upcoming year
- 4) Amounts for contingencies, if appropriate

Reportable Condition in Internal Controls

In planning and performing our audit of the financial statements of Winterfield Township for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

Internal Control

While we observed that bills are approved for payment by the Township board, we did not observe evidence of approval for payment on the bills themselves. We suggest that as a method of strengthening internal control the Township consider having a board member indicate approval on the actual source document.

### Reconciliations

Upon examination it was not evident that the books are being reconciled to the bank on a regular basis. As a method of strengthening internal control, we recommend the Township implement a process to reconcile the books to the bank on a monthly basis.

### Condition of Accounting Records

Continued improvements in the accounting and recordkeeping of the Township books and accounts were made during the last fiscal year. We would like to compliment the clerk and treasurer for their hard work and diligence in improving the accounting records.

We'd like to take this opportunity to thank the Winterfield Township Board for awarding our firm the audit for the year ended June 30, 2006, and to express our appreciation of the efforts put in by the elected officials of the Township. We found the cooperation and willingness to provide us the data which we requested to be positive. Should you have any questions relative to the above comments or other areas of your accounting records, please call on us for assistance.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

134 WEST HARRIS STREET  
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M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

October 26, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Winterfield Township  
Clare County  
Marion, Michigan

In planning and performing our audit of the financial statements of Winterfield Township, Clare County, Marion, Michigan for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*